SMUD
SACRAMENTO MUNICIPAL UTILITY DISTRICT
The Power To Do More.℠

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June 21, 2005
Mark Friedrichs, PI-40
Office of Policy and International Affairs
U.S. Department of Energy
Room 1E190, 1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Mr. Friedrichs:

The Sacramento Municipal Utility District is pleased to provide comments (attached) on the Department's interim final General Guidelines and draft Technical Guidelines for the National Voluntary Greenhouse Gas Reporting Program. We support the Department's review of the program, and appreciate the opportunity to comment on the revised guidelines.

The Sacramento Municipal Utility District, SMUD, is a vertically integrated, publicly owned electric utility serving 1.3 million residents in the Sacramento, California area. SMUD is a long time supporter of the need for and development of standardized, entity-wide reporting of greenhouse gas emissions. SMUD was a founding organization in DOE's "Climate Challenge" program of more than a decade ago. We have filed entity-wide ghg emission reports each year since 1996, and established a baseline for that program for the year 1990. SMUD has also been active in establishing and developing ghg reporting protocols as a part of the California Climate Action Registry (CCAR, or "Registry"). SMUD is in its 3rd year of reporting its yearly, entity-wide direct and indirect ghg emissions to the "Registry" using CCAR's more rigorous protocols. SMUD's yearly reports have been submitted to and certified by a 3rd party, CCAR approved, certifying organization.

SMUD supports the standardization of 1605(b) reporting on a national basis. We support reporting based on WRI protocols as exemplified by the more refined "Registry" protocols which have been developed to offer practical, lower cost general and industry specific reporting. Important is that these more refined protocols are sufficiently standardized to allow inexpensive 3rd party certification. We believe that the revised 1605(b) guidelines make significant progress in moving the national reporting process towards that same goal. However, much still needs to be done.

SMUD will work with DOE and industry groups to further refine these 1605(b) protocols. It is our hope that web-based "Registry" reporting can, following approved 3rd party certification, be exported directly to the voluntary 1605(b) database.

Listed below are specific items that we strongly support as well as items that we believe could be improved to encourage more accurate, transparent, and consistent reporting by 1605(b) participants.

It is with this experienced and dedicated background that we submit these comments to you.

Respectfully Submitted,

Obadiah Bartholomy

Bud Beebe

Elements of note that SMUD Supports:

- SMUD supports the need for entity-wide reporting as a way to enhance transparency and reference to the accuracy of claimed emissions reductions.

- SMUD supports the use of quality gradations for data sources, and encourages consistent application of these across reporting categories considering costs and importance, though specific categories and methodologies will need to be tested for their practicality in achieving accuracy and ease of use by both reporting entities and certifiers.

- SMUD supports the goal that the new and evolving 1605(b) guidelines will strive to be compatible with other high quality, WRI compatible protocols that have been developed. Specifically, given the opportunity, SMUD will work with DOE and industry groups to further refine these 1605(b) protocols to achieve reciprocity or transportability from other reporting databases. It is our hope that web-based "Registry" reporting can, following approved 3rd party certification, be exported directly to the voluntary 1605(b) database.

Elements of the DRAFT 1605(b) Guidelines we believe need improvement are:

General Guidelines

- *Section II.B.3.b of the General Guidelines, (FR p. 15175)* Many entities have participated in the 1605b reporting for a significant number of years, and have taken voluntary reduction actions based on the prior rules. These actions may be better documented than some of the qualifying documentation for current reporting efforts. Exclusion from registration of these documented reductions weakens the reporting program by discouraging those who will not be recognized for their early actions. If an entity finds that it is too onerous to reconstruct the data from past years reductions, they will choose the report only option. If an entity finds that they can meet the 3.0 minimum reporting standard for previous years they should be allowed to do so, and to register their reductions. Failure to recognize good faith voluntary effort severely erodes promotion of *this* voluntary effort. This is particularly important where such efforts encourage high quality entity-wide reporting, *the cumulative sum of which is the enduring metric.*

- *Section II.B.5 of the General Guidelines and Section 2.5 of the Technical Guidelines:* The revised guidelines require an entity to count reductions and emissions from previous years in order to determine whether they qualify for a registered emissions reduction in the current reporting year. This accounting method specifically excludes tracking changes in emissions that occur as a result of transfers of emission reduction credits. In the interest of accuracy and transparency in reporting, entities should account for transfers that occur in their entity-wide reporting. If an entity includes in one year reductions of greenhouse gases that are subsequently traded, the entity should either amend its prior filing or add those emissions to the current reporting year. Credits that are purchased should be accounted for in the year in which they were purchased. Reporting of transfer of credits should be restricted to reductions that meet both the 1605b requirements as outlined in Chapter 2 of the Technical Guidelines, and the requirements of the program in which they were traded.

Technical Guidelines

- *Section 1.C.2.3 and 1.C.3.2 of the Technical Guidelines:* The rating for natural gas mass-balance is not consistent between tables 1.C.1 and 1.C.5. In table 1.C.1, it is stated that mass balance calculations based on *heating value x emissions factor* would receive an A/B, and mass balance based on volume only calculations would receive a C. In table 1.C.5, any calculation where the heating value is known would receive an A, and in the case that only the volume was known, the calculation would receive a B. There is a need for consistency of the two. Use of ratings in table 1.C.5 is recommended. The overwhelming majority of natural gas meters in use today are volumetric flow meters of accuracy sufficient for customer billing. These volumetric readings are converted to totalized heat values based on sampling overviewed by regulatory agencies, and become the heating value of record for typical consumer transactions. Record of such sample based natural gas usage should qualify for an A rating. However, a volume based gas usage multiplied by an assumed or default heating value factor should receive a "B" rating.

- *Section 1.F.2.2 of the Technical Guidelines:* Emissions factors for purchased electricity vary greatly both regionally and locally. The use of a U.S. wide emissions factor cannot be considered accurate. We suggest that the "A" rating be reserved for records that reasonably reflect emission content from sources tied to contracts and certified[1] system averages. This information would in almost all cases be supplied by the Load Serving Entity, LSE. A "B" rating would be obtained through use of a regional eGRID average specific to the location of use. Use of the U.S. average should receive a "C" rating at best. Failure to encourage improved data quality representation of actual purchased resources will foster poor economic cost transparency of emissions associated with specific consumer usage, and discourage efforts by LSE's to reduce indirect ghg emissions for their customers.

  Preference should also be given to the use of eGRID subregions for the quantification of emissions from electricity purchases as an improvement over the NERC regions. These subregions take into account power flows between regions, and are more representative of the subregional power mix than the broader NERC regions. These factors are available from the eGRID website and database, located at http://www.epa.gov/cleanenergy/egrid/download.html

- *Section 1.F.2.2 of the Technical Guidelines:* The use of Tradeable Renewable Credits (TRC's) is recognized in a growing number of jurisdictions as a means to reduce impacts on the environment. To the extent that these TRC's represent reduced greenhouse gas emissions, those reduction values should accrue to the purchasing entity, supported by appropriate accounting by the generator of those credits so that no double counting occurs.

- *Section 1.F.2.6 of the Technical Guidelines:* In keeping with WRI, ownership of indirect emissions are the responsibility of the entity consuming the electricity. In the case of transmission and distribution (T&D), the energy is actually consumed by the T&D system. These indirect emissions should not be passed on to the consumer of the balance of energy on the customer side of the meter. Quantification of T&D losses should be the responsibility of the respective T&D owner(s)

1. The term "certified" refers to averages which are certified through protocols that are recognized by state or regional governmental authorities or compacts.

- *Section 1.F.2.6 of the Technical Guidelines:* Quantification of T&D losses should be consistent with the hierarchy approach taken elsewhere in the technical guidelines. Specifically, use of a "mass-balance" approach where losses are accounted for by netting sales from purchases and generation should achieve a much better accuracy than using a regional average transmission loss percent. The "mass balance" approach should receive an "A" rating, and the use of an average transmission loss factor should receive a lesser value. As a note, transmission losses are currently quantified by utilities on the EIA form 861 using the "mass balance" approach, and are therefore readily available.

- *Section 2.4.3.2.1 of the Technical Guidelines:* Establishment of a benchmark for avoided electricity use should be consistent with accounting rules for reporting an entity's direct emissions and indirect emissions associated with imported power. Use of a national average intensity benchmark seems inconsistent with the challenges and rewards for individual effort in reducing greenhouse gases. Entities should be encouraged to use LSE specific or regional emissions values that more accurately represent avoided emissions for their location.

  The benchmark for avoided boiler emissions should be fuel-specific if possible. In many locations, for instance, gas-fired boilers are standard, and should be assumed for the offset emissions where this applies.

- *Section 2.4.2 of the Technical Guidelines:* Denying absolute emissions reductions as a result of a decline in output has the unfortunate consequence of not properly recognizing the absolute value in reducing greenhouse gases, and would not reward, for instance, utility and other programs which successfully reduced energy use.

- *Section 2.4.3.1 of the Technical Guidelines:* When calculating reductions associated with avoided emissions, it is not clear why a new independently owned natural gas-fired plant would be treated differently from an existing utility that chose to commission such a plant. Both entities would be displacing the same power theoretically. Both entities should be treated equally in terms of the value of their specific action. This underscores the importance of higher quality, sub-region specific emission factors.